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JUDGE ANDERSEN
MAGISTRATE JUDGE SCHENKIER

ECHELON GROUP

CONFIDENTIAL INFORMATION MEMORANDUM

PROPRIETARY AND CONFIDENTIAL

May 1, 2003

EXHIBIT
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The Echelon Group

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Narrative

Proposal

- We are offering an opportunity to acquire common stock in an Illinois holding company, the Echelon Group. Capital contributions made in the Echelon Group will be used to increase the surplus of its wholly owned, Illinois domiciled Excess & Surplus lines insurance carrier, Echelon Property & Casualty (EPC). For purposes of this document, we will refer to the newly formed insurance company as "EPC".

- EPC enters the marketplace with an opportunity to capitalize on rate increases already imposed by existing insurance carriers who are plagued by under performing, preexisting portfolios. In addition, limited carrier capacity in the admitted market has led to an increased number of insureds looking elsewhere to insure their business. Therefore, the benefits of increased surplus for EPC are threefold: 1) EPC has an increased capacity for written premium in a market that is favorable to underwriting profitability; 2) It gives EPC the ability to seek additional state authorizations, thus increasing their market exposure nationwide. 3) As a direct result of the aforementioned, EPC is capable of generating more volume while maintaining a ratio of written premium to surplus that lends itself to a favorable carrier rating.

Opportunity

- EPC' s current surplus is $4,000,000. The Echelon Group has currently issued 425,000 shares at $10/share and authorized 2,000,000 shares.

- It is expected that EPC will develop $10 million of Gross Written Premiums in the first 12 months. The initial capital will provide EPC with adequate surplus to support this premium level and satisfy leveraging standards set by AM Best in order to obtain a favorable carrier rating.

- We are seeking additional capital to take advantage of the profitable opportunities where significant surplus and returns can be generated for investors. Our goal is to generate $15 million in investor capital and surplus for the company. This will satisfy minimum surplus requirements in all 50 states, allowing EPC to acquire the authorizations necessary to procure business nationwide. Equally important, EPC will have an increased capacity for written premium in a market that is favorable to underwriting profitability.

- Primary rates have increased 40-50% in the non-admitted market during the last two years, offering an opportunity to capture significant underwriting profit. Reports suggest rate increases could continue to rise over the next 12 months, before reaching a plateau. Even then, risk managers suggest that the rates could stabilize there for an additional 12-24 months.

- Since capacity for risk in the admitted market has tightened, more businesses are seeking risk placement in the non-admitted market.

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- With our ability to amend both policy forms and rates without delay or restriction, EPC will be able to sustain the effects of the "hardened" market for a longer period of time.

- Each state has surplus requirements necessary to conduct business in the non-admitted market. Given our current surplus, EPC is authorized to conduct business in the non-admitted market in 10 states as well as admitted business in Illinois. Additional surplus will increase our exposure within the United States as well as increase our overall capacity for risk placement. This will enable the EPC to maximize its profitability in this advantageous marketplace.

Business Focus

- EPC' s business model is focused on underwriting profitability. Our policies are general liability, commercial auto, and non-catastrophic property risks that fall into the wholesale E & S sector. Accounts will be written on an admitted basis in Illinois and on an Excess & Surplus lines basis in other targeted jurisdictions utilizing the General Agency distribution network.

Business Strategy

In order to maximize our underwriting profitability, EPC employs the following strategies:

- Minimize the start-up costs normally incurred by insurance companies through the utilization of its managing general underwriter, Echelon Insurance Services ("EIS").

- Existing carriers are saddled with under-performing portfolios and the costs associated with running off discontinued lines of business. By nature of their arrangement with EIS, EPC avoids this scenario yet benefits from the current rate increases.

- Limit the company expenses to an average of 28% over the first 5 years. By utilizing the efficient, proven staff and infrastructure of EIS, EPC will increase its underwriting profitability by reducing its combined ratio.

Management

EPC' s management team is highly experienced in the Excess & Surplus lines sector.

- President/CEO – Kenneth J. Bolen
- Senior Vice President/CCO (Chief Claims Officer) – Judy Ambrosio
- Secretary/Treasurer – TBD

EIS offers GL, Auto and Property underwriters that are extremely qualified and have produced consistently profitable business for their former carriers.

- Vice President of Underwriting – Patrick Pavich
- Vice President of Underwriting – Ronald Guzy

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- Vice President of Operations – Maureen O' Donnell
- Chief Information Officer – Neil Piacenti

Financial Returns

The Pro Formas represent EPC' s performance with its current $4.7 million in initial capital and an additional $10.3 million in capital contributed over the next 24 months. Given the current market conditions, we believe a 60% loss ratio is quite realistic with a 55% gross loss ratio highly attainable. The premiums generated coincide with our historical production, stated surplus, current rate increases, and expected volume with corresponding state authorizations.

At a 60% loss ratio, the premiums generated over an approximate six (6) year period result in assets of $103.4 million and surplus of $32.6million. Given these figures, and a proposed market value of a specialty property/casualty insurer (2 times the stated surplus), the value of EPC at the end of six (6) years is $65.2 million.

The returns at surplus value, and market value of 2 times, are as follows:

Surplus Value

- $17.6 million profit over 6 years = 15.5% annual return

Market Value

- $50.2 million profit over 6 years = 31% annual return

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EPC Structural Arrangement

EPC will generate business through its managing general agency, Echelon Insurance Services (EIS). Through their management services agreement with the Company, EIS agrees to perform the following:

- Underwrite, rate, bind, issue, and deliver Binders and Policies of insurance in accordance with the Company underwriting guidelines; provide for the countersigning of Policies of insurance; and, in conjunction with the Company, develop appropriate marketing materials and policy forms;
- Collect and receipt for all premiums with respect to all issued policies; process cancellations and refund all required return premiums; and perform all general policyholder administration and services;
- Enter into contracts for and on behalf of the Company for the appointment of sub-producers, prepare and file with such regulatory authorities as may be required by applicable law notice of such appointments and any termination thereof all as approved by the Company, maintain a record of all such appointments at any time in effect, and promptly notify the Company of each such appointment and any termination thereof;
- Apply for and maintain all authorizations, licenses and permits required of EIS and of the Company to conduct business;
- Prepare for the Company all statutory financial statements and other financials and reports, which require filing, by the Company with insurance regulatory authorities;
- Engage in any other business activities for and on behalf of the Company as are necessary for the Company to carry on the business;

As EPC' s production source, EIS shall earn a commission of 10% on all written premiums. In addition, EIS will share in the underwriting profits that it generates for EPC as detailed in the Profit Sharing Arrangement (A summary of this arrangement is located on page 31.). Owners of EIS will have the ability to withdraw up to 50% of its underwriting profit in the form of a bonus. The remaining profit shall remain in the surplus of EPC. For their investment, owner of EIS shall acquire shares of EPC at the stated surplus value/share as reported on a GAAP basis.

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Market Opportunity

Rupp's defines a hard market as "An insurance business cycle period when coverage is difficult for some insureds to obtain and premiums are high." It can be triggered by several factors: underwriting losses, investment returns, industry competition, and/or reinsurance premiums. The result, for insurance companies, is increased rates, higher premiums, lower loss ratios, and consequently, more profit. The insurance industry experienced its last hard market during the mid-1980's. During this period, insurance companies saw substantial growth and profit. As cited in an article from Business Insurance, "The last widespread hard market in the mid-1980's gave rise to insurance facilities that today rank among the world's largest insurance and reinsurance companies. The most prominent of these are Bermuda-based ACE Ltd. and XL Capital Ltd…But they are far from the only examples."

For the first time since the 1980's, it is now generally accepted that we are in a hard market. In an article entitled "Getting It Done" in the March 2003 issue of Risk & Insurance magazine, Richard M. Bouhan, executive director of the National Association of Professional Surplus Lines Offices, "estimates that E&S premiums exploded from $15.5 billion in 2001 to $22 billion a year later, an increase of almost 42 percent." With the events of September 11th, rate hikes have only been accelerated and the duration of the hard market appears to be long term – until insurers recapture their current losses through higher premiums. As stated in the same March 2003 Risk & Insurance magazine article, "A consensus emerging among E&S professionals projects rate increases of 15 to 25 percent through 2003, followed by a plateau through 2004 and perhaps 2005. These predictions are based on several factors including reserve deficiencies, low investment portfolio returns, and the need for insurers to repair the damage to their balance sheets tarnished by a soft market that persisted from the middle of the 1980s into the 21st century."

This presents you, the investor, with an excellent opportunity to participate in a risk-bearing entity. Most insurers face in-force portfolios at less than adequate rate levels, hence the need to increase rates and restrict coverage. By nature of this arrangement, however, EPC will be able to reap the benefits of a hard market without the negative impact of an existing "book".

The insurance industry is ripe for continued investment as entrepreneurs and investors rush to establish a stake in the hard market. As reported in editions of the New York Times and Wall Street Journal firms such as Warburg Pincus, Chubb Corp., Goldman, Sachs & Co., and Hellman

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& Friedman have invested hundreds of millions of dollars in new insurance underwriting operations to take advantage of this rare investment opportunity.

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EPC Business Focus & Strategy

Business Focus

EPC's business focus will be on commercial general liability and property risks that fall into the Wholesale E & S sector. Commercial Auto and Liquor Liability will also be written in states that provide the desired legal and business environment.

These risks may be characterized as:

- Accounts that are generally small in size falling below minimum premium requirements of the larger E&S companies and may be considered outside the parameters of the wholesalers binding authority. Premiums on such accounts generally range between $3,000 and $5,000.
- Accounts that have moved into the wholesale channel through changes in risk structure or previous carrier's appetite. These accounts do not have the luxury of long-term negotiations and require quotes in a limited time frame. The EIS staff is known to provide exceptional turnaround time on such business giving them a competitive edge in the wholesale market.
- Accounts which by class, or territory, fall outside the wholesaler's in-house binding authority.

This segment of the insurance industry is among the first to be impacted by a hardening market and the last to benefit from increased competition. It is also the segment that the EIS has successfully focused on throughout their history.

Echelon Insurance Services Historically

EIS had its beginnings as Walton Insurance Services, Inc. ("Walton"). Walton is a Chicago-based managing general underwriter ("MGU") founded in 1997. It operated as either a MGU and/or a MGA for various insurance groups including Clarendon America Insurance Company and Jefferson Insurance Group.

A general summary of Walton's approach would be to categorize the Walton program as a niche brokerage arm for many wholesalers. As all business was obtained via the GA system, risks fell into the following general categories:

- Accounts that are very small in size, but which do not fit the parameters of a typical standard or E&S binding facility. Because the accounts are so small (Premiums generally range from $3,000 to $5,000), most standard carriers do not pursue these risks.
- Last-minute items that have bumped into the wholesale channel unexpectedly and need a very fast turnaround. Rapid turnaround is a hallmark of Walton's approach and is essential in order to satisfy wholesalers' last-minute needs.
- Business for classes in which a wholesaler lacks either authority or expertise.
- Business from territories in which a wholesaler does not have binding authority from its E&S carriers.

The Walton program was mainly General Liability and Liquor Liability writings and Property coverage was offered on a selective basis with emphasis on non-catastrophe exposed risks. Coverage offered was highly restrictive, and limits tightly controlled. The maximum GL limit was $1 million/$2 million and the maximum Property limit was $3 million. Business was written in most states, with the large states making up the majority of the premium.

EIS will duplicate this approach and market segment and provide EPC with in-house underwriting (there is no outside quoting or binding authority given) that is highly experienced in the commercial surplus lines sector. EPC will benefit from EIS' broker network in excess of 950 brokers as well as an infrastructure in place to process 400 submissions a day and provide exceptional turnaround for both quoting and binding.

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EIS' objective is to grow the surplus and asset base in order to provide a return on investment for investors of EPC that exceeds industry norms. This is accomplished by serving as an exclusive production source for EPC. Its concentration is casualty and non-catastrophic property lines, primarily in its traditional classes of business: habitational, restaurants, contractors, and mercantile/manufacturers.

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Business Strategy

New entities, especially start-up insurance carriers, incur excessively high expense ratios in order to acquire the staffing, systems, products, and market distribution channels needed to effectively write business. Existing carriers are saddled with under-performing portfolios and the costs associated with running off discontinued lines of business. EPC by nature of this arrangement escapes both scenarios.

With an efficient, proven infrastructure and staff in place, EIS can limit EPC' s expense ratio to an average of 28 to 30% over the first 6 years. Even at the higher end, EPC' s expense ratio will be below that of most major competitors as published in the AM Best's Key Rating Guide: 2001 edition and listed below. More importantly, this percentage when combined with the anticipated loss ratio and including expected levels of investment income, will allow EIS to achieve its objective of a greater than 20% return to the investors of EPC.

Carrier	Expense Ratio
Acceptance	33.4%
Admiral	30.5
Essex	36.2
Interstate	32.7
Scottsdale	28.0

Business Strategy: Underwriting Guidelines

As set forth in the management services agreement, EIS will adhere to the underwriting guidelines of Echelon Property and Casualty Insurance Company. The following highlights general key elements of the underwriting approach:

Casualty

Casualty business will be written by EIS, Inc. on both a mono-line general liability and package basis for: restaurants, bars, artisans, habitational, mercantile, manufacturing, distribution and other surplus lines classes as indicated in the Company Classification Directory. Liquor liability will also be written.

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Business will be written utilizing ISO forms as well as company approved endorsements/forms that further define extensions or limitations of coverage.

A latest edition ISO based rating approach including Company Loss Cost Multiplier and appropriate surcharges and/or IRPM will be utilized for all Casualty lines per Company Guidelines. A completed rating worksheet is required for all policies.

EIS, Inc. will produce business from the Wholesale Brokerage network on a purely submit basis. EIS, Inc. may not extend binding authority to any sub-producer. A completed signed application is required prior to binding. An inspection is required on all policies with an annual premium greater than $2,500.00.

Casualty business for approved classes will be written at maximum limits of:

General Aggregate	$2,000,000
Each Occurrence	$1,000,000
Products/Completed Operations Aggregate	$2,000,000
Fire Damage (any one fire)	$ 100,000
Medical Expense (any one person)	$ 5,000

Minimum policy premium should not be less than $1,500.00 mono-line, $2,500.00 package.
Minimum policy deductible is $1,000.00 per claim.
Maximum policy term is to be 12 months.

Property

Property business will be written by EIS, Inc. on a package basis for small to medium sized accounts as indicated in the Company Classification Directory.

Business will be written utilizing ISO forms as well as company approved endorsements/forms that further define extensions or limitations of coverage.

A latest edition ISO based rating approach including Company Loss Cost Multiplier and appropriate surcharges will be utilized for all Property business per Company Guidelines. A completed rating worksheet is required for all policies. The following minimum rates apply:

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	Frame Construction	AOC Construction
Protected:	$ .70	$ .45
Unprotected:	$ 1.25	$ .60

EIS, Inc. will produce business from the Wholesale Brokerage network on a purely submit basis. EIS, Inc. may not extend binding authority to any sub-producer. A completed signed application is required prior to binding. An annual inspection is required for all policies.

Property business for approved classes may be written at maximum limits of $1,000,000 for all values at risk per location where the location is not subject to another covered location. Company specific peril and coverage guidelines including state windstorm restrictions apply.

Minimum annual policy premium will not be less than $2,500.00 package.
Minimum policy deductible is $1,000.00 per occurrence.
Maximum policy term is to be 12 months.

Transportation

The Echelon commercial transportation program will be designed to insure vehicles (lightweight trucks, pick-ups and vans) under 10,000 pounds normally used by artisan or service type of classes.

Maximum limit of liability will be $500,000 and radius of operation will be local venues not exceeding 100 miles.

Forms to be used will be ISO's simplified languages Commercial Automobile Policy and forms may be modified by specific Company endorsements as needed.

All underwriting rules will be strictly enforced. No binding authority will be given to the producing agents.

Exclusions will include (but not necessarily limited to) livery, delivery, waste hauling or hazardous material classes of accounts.

Physical Damage coverage will be written on a stated value basis and pricing determined by experience and current market directives.

Experience Results will be monitored monthly to keep abreast of changing conditions or situations not covered by current underwriting rules.

Policy periods will be limited to 12-month periods other than to a pro-rata basis to achieve concurrent anniversary dates with other coverages that we may write such as the commercial liability.

Motor Vehicle Records (MVR's) for the last 3 years will be obtained for all known drivers.

All policies will contain premium calculation worksheets.

All certificates of insurance will be produced by EIS.

Rejection of uninsured/underinsured motorist coverage signed by the named insured, if coverage has been rejected must be received before the policy will be issued. Rejections of Personal Injury Protection (PIP) must be signed by the named insured, if the state is a no-fault state and the named insured has rejected coverage (except for specific state exceptions) must be received before the policy is issued.

Physical inspections when warranted will be made.

No flat cancellations will be permitted.

Minimum deductible $250.00

Maximum policy term 12 months.

Business Strategy: Premiums

It is expected that the Company will develop $10 million of Gross Written Premiums in the first 12-month period. Initially the Company will focus production efforts on its state of domicile, Illinois on an admitted basis. In addition, business will be developed on an Excess and Surplus line basis in those states for which the capital and surplus requirements are met.

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Expansion to other key states will be achieved through the raising of additional capital, and the utilization of fronting arrangements where a demonstrated opportunity for sufficient profitable production warrants this approach.

It is anticipated that we will continue to grow the Company's premium volume in its core lines of business as long as market conditions substantiate profitable returns and the premium/surplus ratio does not exceed leveraging standards set by rating organizations.

Underwriting Profitability and controlled expenses will remain the primary corporate focus with increases in production being secondary.

Premium Exhibit

The following will demonstrate EIS premium capabilities. These figures were generated by Walton Risk Services from July '00 through July '01. Walton saw noticeable rate increases in the beginning of '01.

Jefferson/Monticello Premiums

1st Five Months (Avg. $1.48 million/month)

Month	Premium
July '00	$ .58 million
August '00	$ 1.43 million
September '00	$ 1.33 million
October '00	$ 2.34 million
November '00	$ 1.71 million
Total	$ 7.39 million

Last Seven Months (Avg. $ 2.64 million/month)

Month	Premium
December '00	$ 2.41 million
January '01	$ 2.47 million
February '01	$ 2.22 million
March '01*	$ 3.38 million
April '01*	$ 3.06 million
May '01*	$ 2.92 million
June '01	$ 2.01 million
Total	$ 18.47 million

* At this point, Walton was generating premiums at a rate exceeding $36 million annually.

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Business Strategy: Claims

Claims examiners under the direction of the Company's Senior Vice President/Chief Claims Officer will handle claims. The Company will establish and implement:

- Claims Standards of Performance and Best Practices.
- Utilization of vendors to ensure we are effectively working the claim files to reduce expense dollars. Negotiate agreed pricing. Audit vendor bills when necessary.
- Monitor claims history. Systems will track claims statistics.
- Frequent discussion with the underwriting and actuarial department. Monitor emergence projections against actual claims history.
- Build a sound claims department and have them be an integral part of the organization.
- Communicate effectively with reinsurers.
- Implement file quality control measures.
- Continued assessment of case reserves (indemnity and expense).
- Administer underwriting alert forms on losses that may be adverse to the organization, as they are known.
- Prepare claims budget and assess budget against expenses.

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Business Strategy: Underwriting Profit & Investment Income

EPC anticipates developing a positive R.O.E. from its Underwriting, Claim Management, and Investment activities.

Given the current rate increases, we believe a 60% loss ratio is attainable in this marketplace. At a 60% loss ratio, EPC will generate an underwriting profit of 10-12% on its gross written premium. On a 6-year projection, with planned reserve practices and normal loss development, underwriting profit will be realized on business written in the first two policy years. Typically, for the market segment Walton has underwritten in the past, IBNR reserve levels on Casualty business are maintained for 3 years. At the close of this period, nearly 85% of losses have been reported and redundant reserves may be prudently "taken down". Thus, Underwriting profits for the casualty segment of the business will only be considered achieved once a policy year has reached its fifth anniversary.

With good portfolio management, we believe EPC can attain annual returns on investment income, on average, of 5%. At this level, EPC' s investments will generate over the six-year period, before federal taxes, income of approximately $16.4 million.

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Profits Exhibit

All profits reflect the performance of EPC at a 60% loss ratio after taxes have been applied. A prototypical payout, as a percentage losses paid, of a given Walton portfolio over five (5) accident years is such:

Payout Schedule

Accident Yr	Percentage of Total Losses Paid
1	5%
2	15%
3	25%
4	30%
5	25%

Applying these percentages, at a 60% loss ratio, EPC would perform at the following levels:

UW Profit By Year

We are showing Property and GL separate. The property portion of the book will be fully developed at the end of the second accident year while the GL will typically develop over five (5) years. Reserves will be taken down on the GL by the end of the third (3) accident year.

Growth In Assets

Year	Assets
2003	$ 10.9 million
2004	$ 40.4 million
2005	$ 61.2 million
2006	$ 79.3 million
2007	$ 93.1 million
2008	$ 103.4 million

Growth In Surplus

Year	Surplus
2003	$ 5.1 million
2004	$ 13.7 million
2005	$ 16.5 million
2006	$ 20.5 million
2007	$ 26.2 million
2008	$ 32.6 million

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Return On Investments

According to quarterly reports received from Philo Smith & Co., over the past year, the purchase price for a property/casualty company has averaged approximately 1.6 times the statutory surplus, with the value reaching as high as 2.1x. It is our belief that a specialty property/casualty company like ours, with an A/A+ carrier rating, maintaining authorizations in all the states, with a 60% renewal rate, and a book with exceptional performance could potentially generate a multiple of 2.2-2.5 times the statutory surplus. At the projected levels of a 60% loss ratio, EPC will have assets reaching $88.7 million and surplus reaching $32.6 million by the end of its sixth (6) year. The following table shows how the investor's returns would perform at the various multiples:

6 Years @ 60% Gross Loss Ratio		
Multiple	**Market Value**	**Average Annual Return**
1.6x	$52.2 million	26%
2.0x	$65.2 million	31%
2.2x	$71.7 million	33.5%
2.5x	$81.5 million	36.5%

It is the intention of the owners of EIS to invest their underwriting profits into EPC. If 100% of their (the owners of EIS) underwriting profit commission (as determined in the profit sharing arrangement) was used to purchase EPC stock at the current, adjusted surplus value/share, through six (6) years of operations, they would acquire approximately 17.5% of EPC stock. At this distribution, the following table shows how the investor's returns would perform at surplus value and the various market value multiples:

Surplus Value

$17.7 million over 6 years = 17% annual return

	6 Years @ 60% Gross Loss Ratio			
Multiple	**Market Value**	**Investor %**	**Investor Surplus**	**Annual Return**
1.6x	$52.2 million	82.5%	$43.1 million	21.5%
2.0x	$65.2 million	82.5%	$53.8 million	26.5%
2.2x	$71.7 million	82.5%	$59.2 million	29%
2.5x	$81.5 million	82.5%	$67.2 million	32%

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2.5x	$81.5 million	82.5%	$67.2 million	32%

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We believe these returns are realistic and quite attainable. Our management team and other industry experts believe that the current E&S market provides an opportunity for experienced, qualified underwriters to develop ultimate loss ratios not seen since the mid-1980's and significantly below the 60% level. It is that very experience and expertise that Criterion Management and it subsidiary, EIS, bring to the table, and that provides EPC and its investors the highest potential for success.

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The Echelon Group Officers/Directors

Officers

Roger Mitchell – President

Mr. Mitchell graduated in 1964 from the College of Arts and Sciences of The Ohio State University. He served in the United States Army from 1964 to 1970. His career has been in Wall Street for 20 years. From 1979 through 1987, he was the partner in charge of the fixed income operations for Kidder, Peabody & Co., Inc. in the Midwest, Southwest and central states regions.

In November of 1988, Mr. Mitchell and Mr. Laurence L. Lacaillade founded the Marl III Holding Company, which owns Criterion Management Company, Criterion Premium Finance Corporation, EIS and Mitchell, Lacaillade, Ziegler and Company, Inc., member of the Chicago Stock Exchange.

Mr. Mitchell is a member of various social and civic organizations throughout the City of Chicago.

Mr. Mitchell is a Director and Officer of Marl III Holding Company and each of its subsidiaries.

Laurence Lacaillade – Secretary/Treasurer

Mr. Lacaillade graduated with a Bachelor of Arts degree in 1965 from McGill University, Royal Institution for Advancement of Learning. He served in the United States Navy and joined the First Boston Corporation, an international investment-banking firm, and held positions as an institutional fixed income salesman, bond trader and Midwest regional sales manager.

In November of 1988, Mr. Lacaillade and Mr. Roger A. Mitchell founded the Marl III Holding Company, which owns Criterion Management Company, Criterion Premium Finance Corporation, EIS and Mitchell, Lacaillade, Ziegler & Company, Inc., member of the Chicago Stock Exchange.

Mr. Lacaillade was a member of the Board of Consultants of the Abbey at Portsmouth and The Portsmouth Abbey School, Portsmouth, Rhode Island from 1990 to 1996. He is a member of the Chancellor's Committee of McGill University, Montreal, Canada, and a Director of Friends of McGill University, Inc., New York. Mr. Lacaillade is active in various social and civic organizations in Chicago and Chatham, Massachusetts.

Mr. Lacaillade is married to Irene Vaughan Knox and is the father of four children. The Lacaillades reside in the city of Chicago.

Mr. Lacaillade is President, a Director and a stockholder of Marl III Holding Company. Mr. Lacaillade is an officer and director of each company owned by Marl III.

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Board of Directors

Charles Haffner – Chairman of the Board
Peter Fasseas – Director
Laurence Lacaillade – Director
Roger Mitchell – Director

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Echelon Property & Casualty Officers/Board of Directors

Ken Bolen – President/Chief Executive Officer

A Senior Insurance and Reinsurance Industry executive with over 35 years of experience specializing in underwriting productivity and profitability with significant new product development and reengineering successes.

Ken most recently performed special projects for a large E&S Group on an independent basis. Immediately preceding, Ken was Senior Vice President of the Commercial Insurance Division with Jefferson Insurance Group. He was responsible for all Underwriting, Claims and Audit activities. He also served as Executive Director of Binding Authority for Interstate Insurance Group when the two companies were merged in early 2001.

Prior to his employment with Jefferson Group, Ken served as President/Chief Executive Officer of Hansa Reinsurance Company. His responsibilities included overseeing all underwriting, operational and claims activities for their North American reinsurance operations.

Judy Ambrosio – Senior Vice President/Chief Claims Officer

Judy has over 20 years of experience in commercial multi-line primary, excess and reinsurance commercial claims handling experience.

Judy's most recent position was Corporate Officer/Senior Director of the Commercial Insurance Division with Jefferson Insurance Group/Interstate Insurance Group. She was responsible for overseeing all claim activities and best practices for the Commercial Casualty, Property and Transportation Divisions.

Prior to joining the Jefferson, Judy was Vice President of CNA Insurance in their E&S Individual Brokerage Claims Division.

Secretary/Treasurer - TBD

Directors
Ken Bolen
Peter Fasseas
Steve Satkamp
Laurence Laçaillade

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Echelon Insurance Services Management Biographies

Underwriting

Patrick E. Pavich – Vice President of Underwriting

Patrick has spent his entire 35-year working career in the insurance industry. He spent 22 years with a regional carrier that specialized in commercial property and casualty coverage. He started in their Management Training program, moving up the ranks to regional Vice President of the Kansas City office. In that capacity, Pat was responsible for 9 service offices and his region was responsible for 35% of the company's total premium volume. Patrick has spent the past 13 years in the excess and surplus lines side of the business. Prior to joining Walton almost three years ago, he was the branch manager of the Burns & Wilcox Seattle office with overall responsibility for business in 5 states: Washington, Oregon, Idaho, Alaska, and Hawaii. Patrick's initial duties with Walton were to underwrite casualty business in 13 of Walton's states. One year ago, he accepted his current position as Executive Vice President. These responsibilities encompass all areas except legal, computer systems and accounting.

Ronald J Guzy – Vice President of Underwriting

Ron has over 30 years of insurance experience on the company and agency side in both surplus lines and standard business. During his career, he has personally underwritten and produced commercial casualty, property and transportation business as well as directing departmental operations for these product lines.

Ron's most recent position was National Property Manager for the Burlington Insurance Group. He also acted as Risk Manager for all IFG Companies.

Operations

Maureen O'Donnell – Vice President of Operations

Maureen has been a licensed Property and Casualty producer since 1981. In 1979, Maureen began as a Commercial Lines CSR for Com-Co Insurance Agency. There, she was responsible for the marketing and servicing of small Commercial P&C accounts, claims processing, switchboard and billing processing for the agency. In 1983, Maureen began her employment at Dann Insurance. Over her first 5 years, she marketed and serviced large Commercial Property & Casualty account ranging in premium size from $50,000 to $500,000.

In the late 1980's, Maureen was appointed Vice President and Director of Technology & Education. In this capacity, Maureen implemented 2 systems conversions. Her responsibilities included implementation and training for all software programs utilized by Dann Agency. In addition, she oversaw the network administration, provided system support to 75 users, and handled procedural training for all new employees.

Maureen was hired by Walton in 2000 to help coordinate and implement their conversion to a new insurance management system, Concept One. Her responsibilities included coordinating the data conversion, training employees, and workflow development. Upon completion of the system

conversion, Maureen was appointed VP of Insurance Operations to oversee the Underwriting Processing unit and overall company workflow.

Information Technology

Neil Piacenti – Chief Information Officer

Neil's experience in information technology with EIS spans over five years. He has extensive knowledge in web and systems development, particularly ASP, ADO, SQL, javaScript, vbScript, HTML, and Visual Basic.

At EIS, Neil has specialized in both front-end (application) and back-end (database) development. In the spring of 2000, Neil spearheaded EIS's data and system conversion from its DOS-based insurance application, Advanced Revelation, to Concept One, its current Windows application. He is also responsible for streamlining Echelon's systems and workflows into an efficient, cost-effective network that can handle an excess of 400 submissions a day while providing a more than satisfactory turnaround (less than 48 hrs.) to its brokers.

With foundations in Visual Basic and SQL, Neil is able to administer to Concept One and its database, implementing any changes that are necessary. In addition, his experience with SQL and Concept One's reporting component give EIS and Echelon P&C flexibility and accuracy in the design and implementation of its policy and claims reporting.

Neil graduated from Northwestern University in Chicago, Illinois in 1996.

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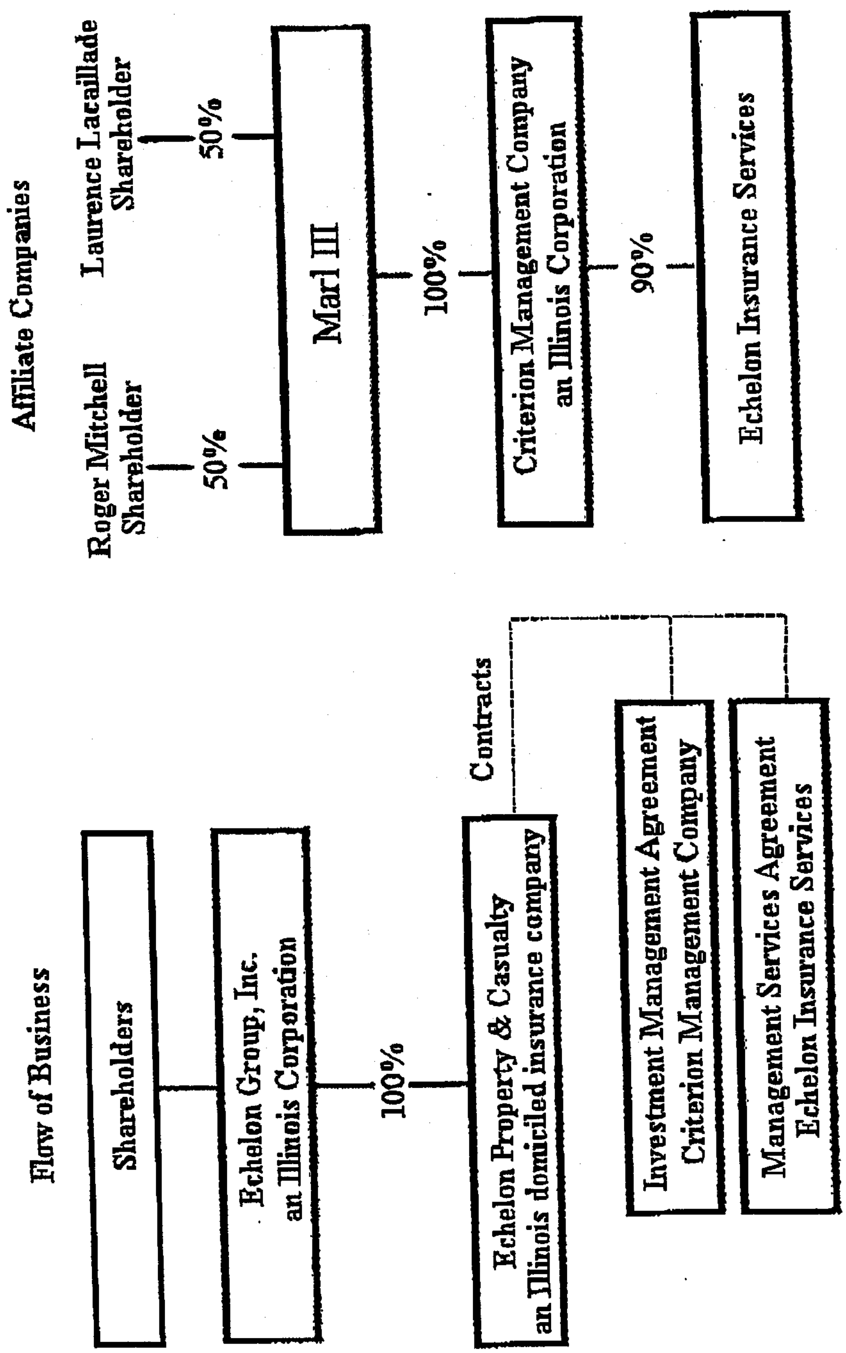
Echelon Operational Structure



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Echelon Insurance Services Information Technology

EIS has a tested infrastructure in place that is: efficient, versatile, and scalable.

Our single entry system, Concept One, is streamlined into a workflow that enables us to process in excess of 400 submissions a day. This is quite substantial given the current staffing and production within the company. Once cleared against our existing database, submissions are ready to be reviewed and quoted by our in house underwriting staff. Accessing our policy-rating program, underwriters have the data necessary to provide a competitive quote to our brokers, typically within 24 hours.

Our Concept One insurance system is very versatile. The developers of this system have succeeded in creating a customizable insurance system. This allows EIS to sculpt the system to suit our needs. The system is adaptable to our forms, our programs, and our rates. In addition, any third party software can be integrated with our system's database using customized XML data feeds.

Finally, EIS' infrastructure is highly scalable. We have the personnel, the software, and the hardware in place to handle any size business. As the production of Echelon Property & Casualty and EIS continue to grow, the infrastructure will be able to maintain the level of performance that our brokers, agents, and insureds have come to expect.

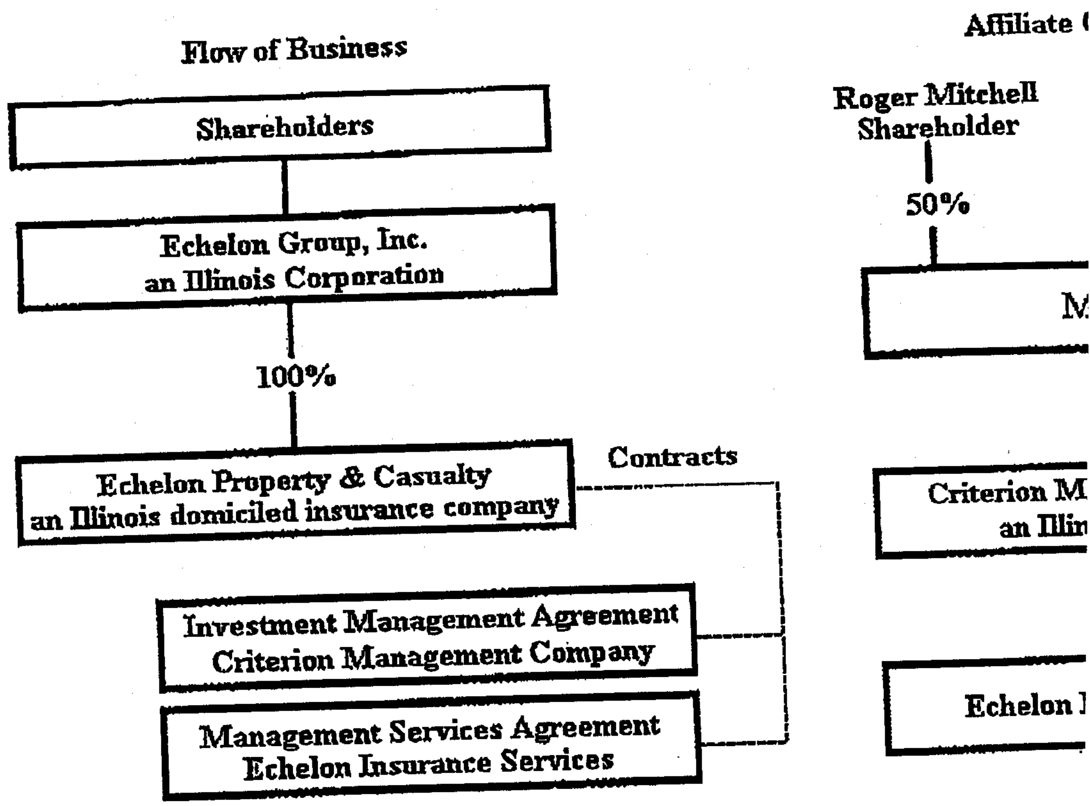
The following details EIS' Information Technology network, hardware, and software:

Echelon Insurance's Internal Network

1) 4 Windows NT servers
2) 1 Novell server
3) 1 HP Optical Jukebox for Policy Image Storage - Managed by Optistorm
4) 35 PC's running Windows 95, 98, & NT
5) 11 Network Printers
6) 2 Bell-Howell Document Scanners

Ethernet

Our Ethernet runs on Cat5 wiring. The 35 desktops are routed to 2 hubs, all up linked through 1 switch.



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Jukebox

Managed by Optistorm, our HP Optical Jukebox is used to store all images pertaining to our policies. Once a policy is bound in our system, the document is scanned into our imaging application, File Magic. File Magic stores the necessary information in its database before it is eventually archived and stored in our Optical Jukebox. Any further correspondence or additional documentation pertaining to a given policy will be attached to the original policy using the record already stored in the database.

Servers & PC's

With the exception of 1 Novell server, all of our servers and PC's run Windows 95, 98, or NT. All desktops also run Microsoft Office. All licenses pertaining to Microsoft Windows, Microsoft Office, Concept One, File Magic, and Norton Antivirus are current.

Applications

Windows 95, 98, NT
Microsoft Office
Norton Antivirus Corporate Ed. 7.5 – Virus Software
File Magic – Imaging Software
Rightfax – Fax Software
Concept One – Policy Rating & Issuance, Accounting, Claims Management, and Reporting

Internet

Echelon has a dedicated T1 line for all data transmissions over the Internet. All users are routed through our Team Internet box (A product supported by our ISP). The Team Internet box is routed through our network switch and is, in essence, a proxy server that also manages our Internet e-mail. It allows our administrators to address security issues pertaining to our network and also provides an easy-to-use Internet account management system for each user.

Policy Rating & Issuance, Accounting, Claims Management, and Reporting

All policy rating & issuance, accounting, claims management, and reporting are handled by Concept One, Echelon's local, Windows-based insurance application.

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All of our rates and forms are contained within the Concept One database and are made available through the easy-to-use windows. This system not only provides us with an efficient quoting machine that allows us to process an excess of 400 submissions a day, but it also is great for tracking and monitoring. Among other things, it allows us to monitor rates to be sure we getting proper rate increases, analyze submission distribution among classes of business, view hit ratios as it pertains to classes, states, brokers, etc.

Utilizing Concept One's policy issuance workflows, we are able to capture data accurately and issue policies to our insureds quickly and correctly. The systems policy reporting is important, among other items, to: 1) track outstanding items necessary for the policy file (i.e. inspection reports, signed/completed original application, etc.); 2) prepare quotes for upcoming renewals; 3) issue notices of non-renewal; 4) track premium distributions among line of business, classes of business, states, etc.

Concept One also provides us with an exceptional accounting module. Through streamlined workflows, we are able to invoice our policies and endorsements efficiently and effectively. Utilizing the system's accounting reports, we can provide important information such as precise monthly policy registers to Echelon P&C, as well as track outstanding receivables, and administer notices of cancellation in a timely manner should accounts exceed our 45 day collection period.

Finally, the claims management system within Concept One effectively ties the necessary loss information to a policy should a claim be filed. Claim workflows allow our staff to access necessary policy information while setting up a claim, adjusting reserves, issuing loss and lae payments, tracking recoveries, etc. We can utilize the claim reports, for example, to look at premium/loss information as it pertains to classes of business, states, policy periods, and brokers. The claims reporting will be a valuable tool when determining our strengths/successes as it pertains to the marketplace. It can help us determine areas of emphasis for the future as well as potential areas of risk.

	YEAR 1 ANNUAL	YEAR 2 ANNUAL	YEAR 3 ANNUAL	YEAR 4 ANNUAL	YEAR 5 ANNUAL	YEAR 6 ANNUAL	YEAR 7 ANNUAL
	=========	=========	=========	=========	=========	=========	=========
GROSS PREMIUM WRITTEN	10,000,000	40,000,000	50,000,000	60,000,000	60,000,000	60,000,000	60,000,000
REINSURANCE CEDED	2,800,000	11,200,000	14,000,000	16,800,000	16,800,000	16,800,000	16,800,000
NET PREMIUM WRITTEN	7,200,000	28,800,000	36,000,000	43,200,000	43,200,000	43,200,000	43,200,000
	0						
INCREASE IN UNEARNED	3,600,000	10,800,000	3,600,000	3,600,000	0	0	0
NET EARNED PREMIUM	3,600,000	18,000,000	32,400,000	39,600,000	43,200,000	43,200,000	43,200,000
LOSS INCURRED-PROPERTY	693,000	3,465,000	6,237,000	7,623,000	8,316,000	8,316,000	8,316,000
LOSS INCURRED-CASUALTY	1,287,000	6,435,000	11,583,000	14,157,000	15,444,000	15,444,000	15,444,000
LAE INCURRED-PROPERTY	63,000	315,000	567,000	693,000	756,000	756,000	756,000
LAE INCURRED-CASUALTY	117,000	585,000	1,053,000	1,287,000	1,404,000	1,404,000	1,404,000
NET ACQUISITIONS COSTS	1,730,000	6,920,000	8,650,000	10,380,000	10,380,000	10,380,000	10,380,000
OTHER OPERATIONAL EXPENS	500,000	1,200,000	1,500,000	1,800,000	1,800,000	1,800,000	1,800,000
ULAE EXPENSES	0	0	0	0	0	0	0
OTHER EXPENSES	0	0	0	0	0	0	0
	0	0					
TOTAL U/W EXPENSES	4,390,000	18,920,000	29,590,000	35,940,000	38,100,000	38,100,000	38,100,000
NET U/W PROFIT(LOSS)	-790,000	-920,000	2,810,000	3,660,000	5,100,000	5,100,000	5,100,000
INVESTMENT INCOME	398,174	1,355,473	2,414,059	3,493,284	4,126,355	4,608,813	4,996,883
FIT INCURRED	177,759	1,156,287	2,477,565	3,138,715	3,490,527	3,300,997	3,432,940
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NET INCOME	-569,585	-720,814	2,746,494	4,014,569	5,735,828	6,407,817	6,663,943
	=========	=========	=========	=========	=========	=========	=========
O/S LOSS & LAE PROPERTY	637,875	3,220,088	5,724,338	4,935,263	4,595,063	4,595,063	4,595,063
O/S LOSS & LAE CASUALTY	1,333,800	7,792,200	18,392,400	28,992,600	37,065,600	41,137,200	42,611,400
PRE-TAX NET INCOME	-391,826	435,473	5,224,059	7,153,284	9,226,355	9,708,813	10,096,883
LOSS DISCOUNT	194,647	805,371	1,342,898	1,358,231	1,039,901	0	0
U/P ADDITION	720,000	2,160,000	720,000	720,000	0	0	0
	522,822	3,400,844	7,286,957	9,231,515	10,266,257	9,708,813	10,096,883

CASH FLOW	YEAR 1 ANNUAL	YEAR 2 ANNUAL	YEAR 3 ANNUAL	YEAR 4 ANNUAL	YEAR 5 ANNUAL	YEAR 6 ANNUAL	YEAR 7 ANNUAL
PREMIUM COLLECTED	5,994,000	25,182,000	34,794,000	41,886,000	43,200,000	43,200,000	43,200,000
NET COMMISSION PAID	1,440,225	6,050,675	8,360,225	10,064,275	10,380,000	10,380,000	10,380,000
LOSS PAID-PROPERTY	108,281	1,097,972	3,941,438	8,346,319	8,627,850	8,316,000	8,316,000
LOSS PAID-CASUALTY	64,350	514,800	1,866,150	4,440,150	8,043,750	11,711,700	14,092,650
LAE PAID-PROPERTY	9,844	99,816	358,313	758,756	784,350	756,000	756,000
LAE PAID-CASUALTY	5,850	46,800	169,650	403,650	731,250	1,064,700	1,281,150
OTHER EXPENSES PAID	458,750	1,142,250	1,475,250	1,775,250	1,800,000	1,800,000	1,800,000
FIT PAID	0	177,759	1,156,287	2,477,565	3,138,715	3,490,527	3,300,997
CASH FLOW FROM U/W	3,906,700	16,051,928	17,466,688	13,620,035	9,694,085	5,681,073	3,273,203
CAPITAL CONTRIBUTION	5,700,000	9,300,000	0	0	0	0	0
NON WORKING CAPITAL	0	0	0	0	0	0	0
BEGINNING INVESTED ASSETS	0	9,943,449	36,486,864	56,245,647	72,833,020	86,495,193	96,664,464
ENDING INVESTED ASSETS	9,943,449	36,486,864	56,245,647	72,833,020	86,495,193	96,664,464	104,837,534
INVESTMENT INCOME	398,174	1,355,473	2,414,059	3,493,284	4,126,355	4,608,813	4,996,883
INTEREST INCOME RECEIVED	336,749	1,191,487	2,292,094	2,967,339	3,968,087	4,488,199	4,899,866

ECHELON PROPERTY & CASUALTY
FOR THE YEAR ENDED
DECEMBER 31. 2003

ASSETS	DECEMBER 31, 2003	YEAR 2 ANNUAL	YEAR 3 ANNUAL	YEAR 4 ANNUAL	YEAR 5 ANNUAL	YEAR 6 ANNUAL	YEAR 7 ANNUAL
INVESTED ASSETS	9,943,449	36,486,864	56,245,647	72,833,020	86,495,193	96,664,464	104,837,534
AGENTS BALANCES	916,225	3,664,900	4,581,125	5,579,400	5,579,400	5,579,400	5,579,400
INTEREST DUE & ACCRUED	61,426	225,411	347,376	873,321	1,031,589	1,152,203	1,249,221
OTHER ASSETS	0	0	0	0	0	0	0
TOTAL ASSETS	10,921,099	40,377,176	61,174,148	79,285,741	93,106,182	103,396,068	111,666,155
LIABILITIES, SURPLUS AND OTHER FUNDS							
LOSS	1,807,369	10,094,597	22,107,009	31,100,541	38,188,941	41,921,241	43,272,591
LOSS ADJUSTMENT EXPENSE	164,306	917,691	2,009,728	2,827,322	3,471,722	3,811,022	3,933,872
UNEARNED PREMIUM	3,600,000	14,400,000	18,000,000	21,600,000	21,600,000	21,600,000	21,600,000
OTHER EXPENSES	41,250	99,000	123,750	148,500	148,500	148,500	148,500
FIT PAYABLE	177,759	1,156,287	2,477,565	3,138,715	3,490,527	3,300,997	3,432,940
TOTAL LIABILITIES	5,790,684	26,667,574	44,718,053	58,815,078	66,899,690	70,781,759	72,387,903
CAPITAL							
COMMON STOCK	5,700,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000
UNASSIGNED FUNDS	-569,585	-1,290,399	1,456,095	5,470,664	11,206,492	17,614,309	24,278,252
TOTAL CAPITAL	5,130,415	13,709,601	16,456,095	20,470,664	26,206,492	32,614,309	39,278,252
TOTAL LIABILITIES & CAPITAL	10,921,099	40,377,176	61,174,148	79,285,741	93,106,182	103,396,068	111,666,155

ECHELON PROPERTY & CASUALTY
FOR THE YEAR ENDED
DECEMBER 31, 2003

STATEMENT OF INCOME	DECEMBER 31, 2003	YEAR 2 ANNUAL	YEAR 3 ANNUAL	YEAR 4 ANNUAL	YEAR 5 ANNUAL	YEAR 6 ANNUAL	YEAR 7 ANNUAL
EARNED PREMIUM	3,600,000	18,000,000	32,400,000	39,600,000	43,200,000	43,200,000	43,200,000
LOSS INCURRED	1,980,000	9,900,000	17,820,000	21,780,000	23,760,000	23,760,000	23,760,000
LAE INCURRED	180,000	900,000	1,620,000	1,980,000	2,160,000	2,160,000	2,160,000
OTHER U/W EXPENSES	2,230,000	8,120,000	10,150,000	12,180,000	12,180,000	12,180,000	12,180,000
TOTAL U/W EXPENSES	4,390,000	18,920,000	29,590,000	35,940,000	38,100,000	38,100,000	38,100,000
U/W GAIN(LOSS)	-790,000	-920,000	2,810,000	3,660,000	5,100,000	5,100,000	5,100,000
INVESTMENT INCOME	398,174	1,355,473	2,414,059	3,493,284	4,126,355	4,608,813	4,996,883
FIT INCURRED	177,759	1,156,287	2,477,565	3,138,715	3,490,527	3,300,997	3,432,940
NET INCOME	-569,585	-720,814	2,746,494	4,014,569	5,735,828	6,407,817	6,663,943

CAPITAL & SURPLUS ACCOUNT

SURPLUS AS REGARDS POLIC	0	5,130,415	13,709,601	16,456,095	20,470,664	26,206,492	32,614,309
NET INCOME	-569,585	-720,814	2,746,494	4,014,569	5,735,828	6,407,817	6,663,943
CAPITAL CHANGES	5,700,000	9,300,000	0	0	0	0	0
SURPLUS AS REGARDS POLIC	5,130,415	13,709,601	16,456,095	20,470,664	26,206,492	32,614,309	39,278,252

Performance of Jefferson/Monticello Casualty Book
Claim Data As Of 9/24/02
Projecting to 50% Loss Ratio

Gross Written Premium	$20,939,595
Earned Premium	$20,939,595
Total Losses*	$10,469,798
Total Expenses @ 28%	$5,863,087
Reinsurance Cost @ 8%	$1,675,168

While we would purchase reinsurance for this property book, Jefferson did not. That is why they used gross numbers, which makes the calculation for the profit very simple. What we have attempted to do in this demonstration is to show what your investment would produce in terms of a return.

For our illustration, it is appropriate to provide you with reinsurance costs along with accompanying profit due the Insurance Company.

Gross UW Profit to IC

Gross Written Premium	$20,939,595
Earned Premium	$20,939,595
Total Losses	$10,469,798
Total Expenses @ 28%	$5,863,087
Total Reinsurance Cost @ 8%	$1,675,168
Gross UW Profit to IC	$2,931,543

Of the Gross UW Profit, the distribution between IC and EIS would be:
14% Total Underwriting Profit
First 7% To Investors
Remaining 7% Split 50/50 With EIS
Resulting in 10.5% to the Investors and 3.5% to EIS

Total UW Profit	$2,931,543	
10.5% To Investors	$2,198,657	(75%)
3.5% To EIS	$732,886	(25%)

Performance of Jefferson/Monticello Property Book
Claim Data As Of 9/24/02

Gross Written Premium	$4,811,319
Earned Premium	$4,811,319
Total Losses	$2,501,886
Total Expenses @ 28%	$1,347,169
Total Reinsurance Cost @ 6%	$288,679
Gross Loss Ratio	52%

While we would purchase reinsurance for this property book, Jefferson did not. That is why they used gross numbers, which makes the calculation for the profit very simple. What we have attempted to do in this demonstration is to show what your investment would produce in terms of a return.

For our illustration, it is appropriate to provide you with reinsurance costs along with accompanying profit due the Insurance Company.

Gross UW Profit to IC

Gross Written Premium	$4,811,319
Earned Premium	$4,811,319
Total Losses	$2,501,886
Total Expenses @ 28%	$1,347,169
Total Reinsurance Cost @ 6%	$288,679
Gross UW Profit to IC	$673,585

Of the Gross UW Profit, the distribution between IC and EIS would be:
14% Total Underwriting Profit
First 7% To Investors
Remaining 7% Split 50/50 With EIS
Resulting in 10.5% to the Investors and 3.5% to EIS

Total UW Profit	$673,585	
10.5% To Investors	$505,189	(75%)
3.5% To EIS	$168,396	(25%)